



CHIEF ADMINISTRATIVE OFFICER

City of Burlington

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TO: Board of Finance

FROM: Jonathan P. A. Leopold, Jr., CAO

DATE: November 5, 2010

RE: Appropriation of Prepaid Revenue Reserve for Debt Service Coverage for Airport Revenue Bonds

The proposed appropriation resolution designating monies to the Prepaid Revenue Account for Airport Revenue Bonds is intended to strengthen the Airport financial position by insuring that the Airport will meet the debt service coverage requirements for both Fiscal Year 2010 and 2011. Essentially this resolution will earmark approximately \$1,000,000 of the Airport fund balance for a reserve to ensure that the Airport meets its debt service coverage requirement of 125% of debt service. The resolution does not identify a specific amount of money to be reserved since the calculation of the reserve will vary from year to year as the amount of debt service varies each year.

The effect of this resolution would be to decrease the undesignated fund balance or equity of the Airport by approximately \$1,000,000. Concomitantly, the resolution would increase the reserved fund balance or equity of the Airport by \$1,000,000. This reserve can be reduced and/or eliminated in the future by another City Council should the Airport finances warrant such action.

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